

# Avoid Transition Trauma with a CEO Succession Plan



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**Resource Type:** Articles

**Topic:** HR Risk and Employment Practices

CEO succession planning can be a touchy subject. Members of a nonprofit board may fear the risk of insulting a CEO by suggesting the topic as an agenda item. Some CEOs may feel disinclined to raise the subject because it could send mixed signals about their intent to remain with the nonprofit. Yet CEO succession planning is a critical risk management issue for every nonprofit board. Getting over the taboo associated with succession planning is the first step to managing the myriad risks associated with poorly planned executive leadership transitions.

If conversations from recent [Risk Assessments](#) are any indication, the lack of a succession plan opens the door to confusion and turmoil in the board room, infighting on the senior management team, concern on the part of key institutional donors, uncertainty and fear among rank and file staff, reduced productivity, and more. Based on our engagements with dozens of nonprofits and nonprofit boards, the absence of a plan outlining critical steps in the wake of a CEO departure is the #1 risk issue keeping members of nonprofit boards awake at night.

If many downside risks can materialize during poorly planned or unexpected CEO transitions, then why do so few nonprofits have formal succession plans? Tom Adams of [Transition Guides](#) helps readers see succession planning in the proper light and dispels some of the myths about the process in his terrific book, ***The Nonprofit Leadership Transition and Development Guide***. First, Tom reminds us that the purpose of a succession plan is not to select an understudy for your CEO. The purpose is to undertake a planning process that will ensure the health of your nonprofit during and after a leadership change. Second, Tom notes that since the only thing we can count on is change, leadership transitions should be anticipated and viewed as wonderful opportunities to grow and transform.

## Set the Stage for CEO Succession Planning

In the list below we offer three “to do” items to set the stage for succession planning. With these important items in place, you will be poised to develop a custom-fit, made-to-suit, succession plan for your nonprofit.

- **Adopt a CEO performance assessment process.** Every nonprofit board should adopt a timeline and process for undertaking an annual review of the CEO. Some of the tasks associated with the process include: determining which board committee will coordinate the process (options include, but aren't limited to, the Personnel Committee, Executive Committee, or Board Development/Governance

Committee); selecting/drafting the evaluation instrument or format; determining how input from the full board will be obtained; reviewing the CEO's position description and suggesting changes; reviewing performance goals; and deciding how the results of the assessment will be communicated to the full board and CEO.

- **Clarify back-up personnel for key responsibilities.** The sudden or planned absence or departure of a CEO should not cause your nonprofit's mission to stumble. The best way to avoid the downside risk of a leadership vacuum is to make certain that back-up personnel are available for key CEO responsibilities. For example, if the CEO is the primary point of contact for major donors, make certain that another senior staff member or board member is known to these key funders as a back-up contact. Ensure that the back-up leader has opportunities for email as well as in-person or telephone contact with donors. Another area where back-up is likely needed is responsibility for convening the management team. Identify which member of the senior management team will coordinate team meetings in the CEO's absence.
- **Keep the CEO's Position Description up-to-date.** During a succession planning exercise, many boards discover that the position description for the CEO is woefully out of date. The description of duties and responsibilities is often filed in the new hire's personnel file and long forgotten. The Position Description should be a current document that is helpful to the Board and the CEO. It should offer a straightforward reminder about the essential duties and responsibilities of the position, as well as the board's expectations.

## Rehearse Your Succession Planning Roles

According to Tom Adams, organizational culture and the circumstances surrounding a CEO's departure can create unique transition issues, especially regarding the selection of appropriate individuals to manage and participate in the succession planning process. Assigning appropriate roles and ensuring that all involved parties understand their responsibilities are key elements of effective succession planning.

For example, one common challenge is the decision to have the same group (e.g., a single Board committee) focus on both the CEO candidate search and the exit of the existing CEO. Adams recommends that multiple teams be formed to spearhead three distinct transition tasks:

1. Recruiting and selecting a new CEO
2. Facilitating the new CEO's arrival/ transition
3. Managing the prior CEO's exit.

Balancing the participation of the exiting CEO is oftentimes an added struggle; a departing CEO may not always approach the transition process in a way that benefits the nonprofit. If your CEO is tempted to rush the process or ration the information given to the successor, then the scene will be set for a crisis at your nonprofit. With rare exceptions, a CEO who has announced her departure is a key player in assuring a pleasant transition for her successor CEO. To manage the risk that your departing leader will rush or be less than generous, ask the departing CEO to reflect on the knowledge, processes, and cultural traits possessed by the nonprofit and its personnel that will be beneficial to the successor. For example, does your CEO remember yearning for specific training or resources that were unavailable at the start of her tenure? Encourage her to make those assets available to the newcomer. Lastly, remind your departing CEO that she will be remembered for this final phase of service to your nonprofit.

## CEO Succession Planning in Five Steps

**STEP 1.** *Assign responsibility for developing a plan to an existing or new Board Committee, (e.g., the Executive Committee, Personnel Committee or a Succession Planning Committee).* Do NOT assign responsibility to the CEO! Although you're likely to need and want the CEO's input in developing the plan, responsibility for succession planning rests with the board.

**STEP 2.** *Focus on "how" and "what," not "who."* Many nonprofit boards shy away from succession planning because they believe that a "succession plan" requires naming a successor. The fact is that many nonprofits are not large enough to have a full-time, #2 person on staff who has the talents, capabilities or desire to serve as the next CEO or as an interim CEO during a transition period. Nonprofits that are large enough to have a #2 may not want to include interim CEO responsibility as part of the #2's role. Why not? The board may decide that having an outsider who isn't likely to vie for the position is preferred, or that it would be unreasonable to expect a CEO-in-waiting to hang around for an indefinite period. Remember that the fundamental purpose of a

succession plan is to ensure that a plan—a process that will be followed—exists.

**STEP 3.** *Adopt a timeline for the project.* A succession planning project might require two, three or four months, depending on the frequency of board meetings and the experience of the board with similar projects.

**STEP 4.** *Keep the board apprised and involved.* The succession plan drafted by the assigned committee should be presented in draft form to the full board with time set aside for discussion. Questions to pose to the board might include:

- Is the plan clear about the steps we will take if our CEO departs the organization for any reason?
- Is the plan sufficiently flexible and not dependent on the events surrounding the departure?
- Does the plan identify the preferred option for interim leadership (e.g., appointing another member of the management team as Interim CEO, retaining the services of a firm that provides interim CEO services, etc.)?

**STEP 5.** *Adopt and disseminate the succession plan.* Once the board has had ample time for discussion and is comfortable with the format and details of the plan, the succession plan should be formally approved. Copies of the plan should be placed in accessible locations, such as on the board's password protected Web portal. Reference to the plan should be included in future board orientation sessions, so that incoming board members are clear about the plan that is in place.

Consider the climate at your nonprofit; are succession plans in place to sustain the CEO role and other essential leadership roles? Is there anyone at your nonprofit who is uncomfortable talking about succession planning? If this article swayed you to embrace succession planning, then share it with your nonprofit's CEO and board. All it takes is one person with the guts to break the taboo. Remind your colleagues that leadership turnover is natural; change drives us to adapt to fluctuating internal and environmental pressures. Planning ahead for leadership transitions will simply increase the odds that your nonprofit is able to make the most of a change that is certain to occur.

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